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E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [IZ](#)
SUBJECT: SEPTEMBER INFLATION DATA

REF: BAGHDAD 3460

¶1. (SBU) Iraq's consumer price index (CPI) decreased 12.8% in September, and the year-on-year increase dropped to 51.6%. The decrease is largely driven by price decreases in the categories of Fuel/electricity (41.2%) and Transport/communication (32.6%). GOI's Central Office of Statistics and Information Technology (COSIT) lists disaggregated percentage increases (month-on-month) as follows:

Food	2.0%
Tobacco/liquor	2.3%
Clothing/shoes	6.3%
Furniture	3.0%
Fuel/electricity	-41.2%
Transport/communications	-32.6%
Medical services/medicine	0.2%
Misc. goods/services	2.6%
Rent	1.3%

Compared to the data from September 2005, prices grew at the following rates:

Food	33.3%
Tobacco/liquor	19.4%
Clothing/shoes	29.1%
Furniture	18.2%
Fuel/electricity	165.3%
Transport/communications	152.2%
Medical services/medicine	21.6%
Misc. goods/services	36.4%
Rent	34.7%

¶2. (SBU) This data compares to the August month-on-month increase in COSIT's weighted aggregate CPI of 15.1% and 76.6% for the year-on-year. The month-on-month increases for the previous six months are as follows:

July	8.3%
June	0.7%
May	1.2%
April	-1.1%
March	1.7%
February	13.1%

¶3. (SBU) Despite the decrease in the CPI for the month, it remains unclear that real inflation has entered a slowing trend. The method by which COSIT measures inflation remains inaccurate (see refTel) and the data may reflect seasonal variation due to the Ramadan holiday, during which fuel consumption (which factors more heavily in the weighting system COSIT uses) typically decreases. Real inflation is likely to be significantly higher than indicated in the COSIT data. The apparent drop in prices also follows the relatively high rate of inflation in August. Additional data is needed before a clear trend toward deceleration emerges,

and engaging with the GOI on the importance of inflation
remains a high priority.
KHALILZAD